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## Crypto in countries without currencies – Ecuador

 Alissa  October 3, 2017  273 views



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own currencies like Ecuador. In several cases, this has created a push by the governments to try and create a digital currency or a cryptocurrency of their own.

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# Ecuador

Over the course of Ecuador's history, the small Latin American country has seen currencies come and go. Some based on silver, some on gold. Pesos, francos, sucre, reales, dollars and even the Moby Dick coin changed hands within Ecuador between 1822 and today.

It was a trend that continued until the Ecuadorian Surce entered markets in 1932, when the gold standard was abandoned and the dollar standard was adopted. The sucre remained relatively stable until 1983, when depreciation slowly began eroding the currency's value.

In 1999, the Ecuador Sucre plummeted in value, ending at 25,000/US\$1. It was the following year when the country officially adopted the dollar as its own currency, leaving the sucre behind for good.

As technology advanced, however, Ecuador moved to create its own digital currency – the Sistema de Dinero Electrónico. This movement came to fruition in 2014, making Ecuador the first country in the world with its own digital currency. Diego Martinez, a delegate of the President of the Republic to the Board of Regulation and Monetary and Financial Policy wrote: "Electronic money is designed to operate and support the monetary scheme of dollarization."

Preparing to launch its digital currency, then President Rafael Correa introduced a bill to ban bitcoin and all other cryptocurrencies which was then signed into law with a 91-22 vote.

The currency, meant to act in a similar fashion to other digital currencies, stored in digital wallets, has been slow to take off among Ecuadorians, despite the country's aggressive roll out plan, enabling its usage in public transportation, the country's tax system, and even an attempt to force banks into using and accepting the currency, from which, it received tremendous backlash. Julio José Prado, President of the Association of Private Banks (ABPE) said in 2016: "We cannot at this point support any financial program that is administered by the BCE [Bitcoin Community of Ecuador] since we have no confidence that it is secure."

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2016, a year and a half into this plan, the digital currency had reached only 70,000 users registering close to \$763,000 – representing 0.002% of all liquidity within the economy.

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The Sistema de Dinero Electrónico was also met with harsh criticism from the bitcoin community due to its lax privacy standards, in comparison to the world's most popular cryptocurrency.

An open letter from the Bitcoin Community of Ecuador reads: "Ecuador, as a pioneer in the creation of a digital state-run currency, must use methodologies that respect fundamental rights. The digital-currency system must be verifiable, and its code must be published as free software, to ensure the system's privacy through algorithms."

The Bitcoin Community of Ecuador remains strong despite the ban on the cryptocurrency. Bitcoin trades at a premium in Ecuador, and still, the number of users grows every day.

Alexandra Veloz is an attorney based in Quito, and a member of the Ecuadorian Bar Association noted: "A small number of businesses have also taken the risk of establishing bitcoin as an alternative for payment. The national taxation and invoicing system do not integrate these transactions, but they remain an available option."

Despite the relative rejection from the public, the Ecuadorian government is still pushing its digital currency. The Sistema de Dinero Electrónico is currently going through a reformation process, announced in late August, removing the Central Bank from the system. The push is primarily due to the cost of cash – for countries who do not mint their own currency, importing and replacing money can be particularly expensive.

The country's reform of its digital money system is set to launch by October which could act as a new beginning for the troubled system. The Association of Private Banks of Ecuador estimates that the use of cash will be reduced by \$800-million within one year, and by \$1.6-billion within two.

Ecuador's persistence in this matter is admirable, but if it is unable to address the concerns from its citizens, the movement may once again falter while bitcoin continues to gain momentum.

Source: Crypto Insider

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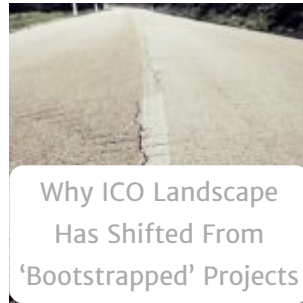
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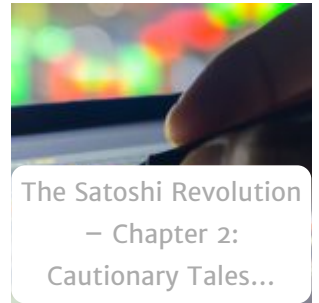
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